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5 March 1959

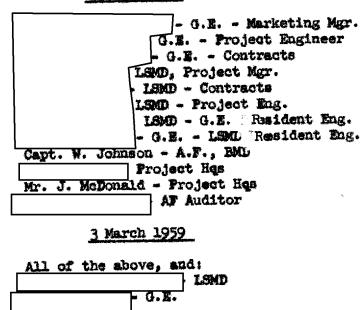
MEMORANDOM FOR THE RECORD

SUBJECT

: Trip Report on Meeting in Philadelphia between General Electric and LSMD

1. A meeting was held on 2 - 3 March at G.E.'s Philadelphia facility. The purpose of this meeting was to discuss and analyze the overrun of costs G.E. was experiencing under their portion of the CORONA program. The following persons were in attendance:

2 March 1959



2. The meeting opened with a presentation by G.E. of the total Program cost picture as of now. The following is a recap:

25X1

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25X1 25X1

Total Program - "Black" and "White" (in 1,000 of dollars)

	Quote of 9/27/58	as of 1/25/59	to Complete	Revised Cost	Variance	
Material						25X
Labor						
Overhead						
Total (less G&A)						
G&A						
Total Cost						
Fixed Fee						
Total						

3. The LEMD people then requested a detailed description and explanation of the individual elements of cost by category. The first category discussed was Material which includes subcontracting and outside purchases. The following is a breakdown of the major subcontract issued by G.E. and their present estimate of what is happening and why.

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		Original Estimate	New Estimate	Increase
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
L	(1)			

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- have been issued on a CPFF Letter Contract basis. In most instances, deliveries are substantially completed. However, not one has been definitized. G.E. states the problem was one of continual change in the state of the art and a firm scope and costs could not be arrived at. Further, it appeared that some of the increases in cost were known to G.E. prior to their proposal to LSMD. However, it could not be determined exactly where their system fell down and why they were not reported or included in their LSMD estimate.
- 5. The balance of material costs were made up of Furchase Orders (2,000 in number). These were briefly reviewed by the LSMD people as to scope. It would appear that because of the state of the art, G.E. had ventured down several unfruitful roads which resulted in cancellations and many new approaches to a problem having to be taken. This was thought to be normal in a new program. Whether or not it was higher than average could not be determined.
- 6. The next element of cost discussed was the Labor Category. A summary of the Labor picture for the total Program is as follows:

(In \$1,000 of Dollars)

	Original Quotation	Actual thru 1/25/59	Estimate to Complete	Total Nev Estimate	Variance	25X1
Engineering						
Other Eng. Employees						
Drafting						
Shop						
Total						:

The Subcontractor's shop orders were reviewed by LEMD and were found to be in order and consistent with the scope of the Program in most instances. However, again, there was the impression that early in the Program several approaches resulted in dead ends and had to be changed.

25X1

7. At this point, G.E. was asked to break down the total Program costs into "Black" and "White" charges. The following "ground rules" had been established by G.E. and LEMD for accomplishing this:

WRITE

All applicable prime equipment charges All Bio Med charges Mark I Rockets Besic OSE

BLACK

All applicable prime equipment charges

All other development costs

All other Rocket costs

All Black GSE

The above was as a result of agreements reached between the Air Force and Agency regarding

records until November of 1958 at which time most of the transfers were made. It appeared that there was some confusion during the period immediately prior to the transfer and this could be a reason why the estimates submitted to LSMD in September were not more accurate.

- 8. The attached Exhibits "A" and "B" are a comparison of the actual and forecasted costs of the total Program and the White program respectively. The difference, or the Black program, is readily obtainable by subtraction of the White from the total Program costs. It was determined that of the total overrun of represented increase in scope and of this amount is applicable to the Black program.
- 9. The undersigned requested G.E. opinion as to the status of completion and whether or not in their opinion the present overrun was the absolute maximum. The following represents their statements:

Status of Completion

	MK-I	MK-II	Black Program
Eng. Design	100%	75%	95%
Design Changes	95%	50%	75%
Qualification	_	_	
(testing)	85%	30% 3 3%	80% - 90%
Mfg.	95%	33%	25%
Deliveries	Complete	One of three	3 of 10 delivered
	except for a	delivered.	

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Time Transit and	n their opinid It quite conf	ld foresee no majo on, ident of this.	overrun was the	
10. In summ	ary, the Prog	ram at G.E. looks	es follows:	
	(In 1,000 s	of dollars)		
	White	Black	<u>Total</u>	
Negotiated Overrun Total				
Howe	ver, this is	ack share of the conly cost to LSMD.	The under-	
this prior to pre	senting the t	ntentions of apply otal overrum to us		
	think LSMO wo	uld ask for GAA bu	it he would	
		nd plans to visit time he may have a		
		if, to his knowle the program. He		
		. WHE MANUAL THE STATE OF THE S	GAMACK MINT TIME	
had advised him o		4.2	d LSMD would pro-	
bably need	to pro	4.2	mket for the nose	
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This decrement contains information referring to Project GORGNA

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